

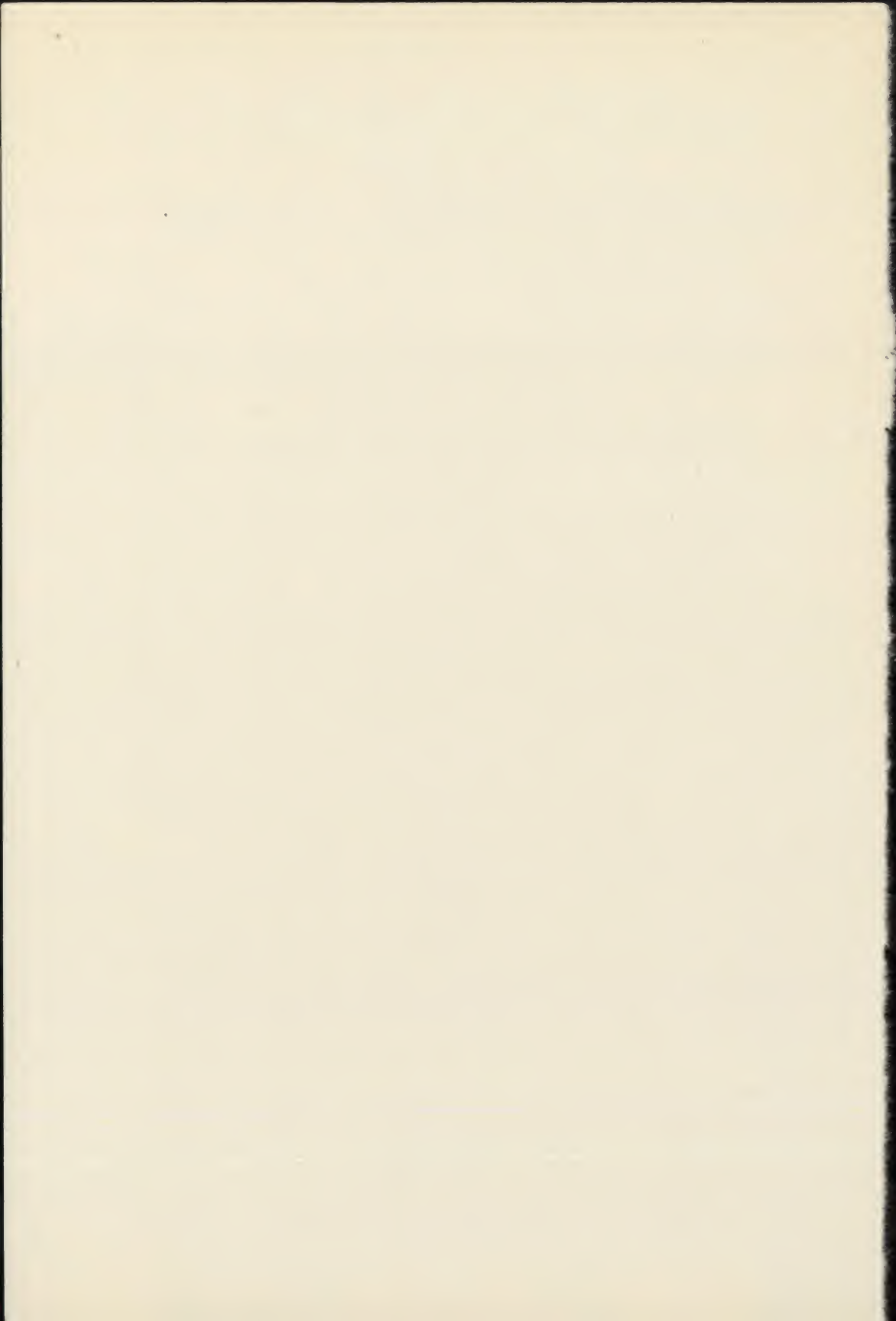
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Walgreen

DRUG STORES

MRG  
CORP. FILE

WALGREEN CO. (An Illinois Corporation) AND SUBSIDIARY COMPANIES  
ANNUAL REPORT TO STOCKHOLDERS—SEPTEMBER 30, 1943



# Walgreen

DRUG STORES

November 20, 1943.

## TO OUR STOCKHOLDERS:

Earnings per share of common stock for our recently closed fiscal year were \$2.20, after setting aside \$500,000 as a reserve for post-war contingencies—this amount being equal to that due us as a post-war credit of Federal Excess Profits Tax. For last year, when no post-war reserve was set up, the per share earnings were \$2.27.

The financial statements which follow have as usual been certified by independent public accountants, and are in comparative form.

Only one new store was opened during the year. This was installed in The Pentagon, near Washington, D. C., at the request of the War Department, and is operated by our company and under our name, but for the benefit of the Army Post Restaurant Council. It is a large store, containing all the features characteristic of a modern drug store, with the exception of food facilities, which were not needed because the Post already had ample installations elsewhere in this, the world's largest building. We have received many compliments upon the appearance of this store and the way in which it is operated. The unsolicited favorable publicity which our company has received seems bound to build good will. The sales of this unit are not reflected in our consolidated figures.

During the year under review we closed 19 stores which were making only a very minor contribution to our income, while the building in which

one of our units of about average importance was located, was completely destroyed by fire. At September 30 we were operating 460 stores.

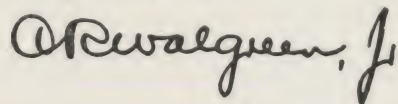
The only new store which we expect to open in the near future will be located at Plainview, near Wichita, Kansas, under priorities of and upon request of the Federal Public Housing Authority. This will be operated by and for the company.

With a sales volume seventeen million dollars greater than last year, we were able to absorb very much higher taxes and substantially increased payrolls. It was found possible to keep most other expenses fairly well in line.

Sales are continuing to show an increase, although it is possible that certain shortages of merchandise and foodstuffs may affect this trend. However, our goods and services are primarily every-day necessities, most of which are obtainable, and the variety of items which we handle gives us the opportunity of great flexibility in merchandising effort. Inventories have been well maintained, both in quantity and quality. We believe that we can continue to operate effectively during the continuation of the war; on the other hand, should hostilities cease in entirety or in part at an unexpectedly early date, we shall not have any serious readjustments to make.

Our employees, many of whom are inexperienced, are doing a splendid job under difficult circumstances, for we, as other retailers, are short-handed at times. Our customers have displayed admirable tolerance and patience. Prescription business has been heavy, and we are fortunate that all of our pharmacists doing this very important work are experienced. Our managers and other key people deserve a lot of credit for their untiring efforts. We naturally miss greatly those more than two thousand of our number who are on leave of absence from us with the armed forces.

Yours very truly,

A handwritten signature in cursive script, reading "A. C. Walgreen, Jr.", written in dark ink.

*President.*

**ARTHUR ANDERSEN & CO.**

120 SOUTH LA SALLE STREET  
CHICAGO

To the Board of Directors,  
Walgreen Co.:

We have examined the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) AND SUBSIDIARY COMPANIES as of September 30, 1943, and the statements of consolidated profit and loss and surplus accounts for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated profit and loss and surplus accounts present fairly the position of Walgreen Co. and subsidiary companies as at September 30, 1943, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Arthur Andersen & Co.*

Chicago, Illinois,  
November 15, 1943.

## WALGREEN CO. AND SU

## CONSOLIDATED BALANCE SHEETS—SEPT

## ASSETS

	September 30	
	1943	1942
<b>CURRENT ASSETS:</b>		
Cash in banks, in transit and on hand.....	\$ 8,580,312	\$ 7,414,228
United States Treasury tax notes and savings bonds.....	5,353,333	1,837,532
Accounts receivable, less reserves.....	750,727	1,231,402
Inventories of merchandise, priced at the lower of cost or market; based on physical inventories taken continuously throughout the year.....	16,205,994	13,245,341
<b>TOTAL CURRENT ASSETS.....</b>	<b>\$30,890,366</b>	<b>\$23,728,503</b>
<b>PREPAID RENT (including advances to lessors), INSURANCE, TAXES, ETC. ....</b>	<b>\$ 800,280</b>	<b>\$ 1,188,607</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Post-war excess profits tax credit.....	\$ 500,000	\$ —
Notes and accounts receivable, less reserves.....	62,424	49,612
Investments in and advances to affiliated companies.....	457,440	418,000
Investments in lessor real estate companies and, at September 30, 1942, in real estate equity which was subject to mortgage loan in amount of \$340,000.....	218,972	363,771
Stocks of other companies, at cost.....	339,391	341,114
Note receivable from (and in 1942 preferred stock of) Walgreen Managers Investment Co.....	76,000	214,000
<b>TOTAL INVESTMENTS AND OTHER ASSETS.....</b>	<b>\$ 1,654,227</b>	<b>\$ 1,386,497</b>
<b>FIXED ASSETS:</b>		
Cost—		
Land .....	\$ 396,881	\$ 519,381
Buildings (including buildings on leased land).....	1,684,161	1,814,978
Equipment .....	11,035,932	11,455,657
	<b>\$13,116,974</b>	<b>\$13,790,016</b>
Less—Reserves for depreciation.....	6,530,876	5,835,414
	<b>\$ 6,586,098</b>	<b>\$ 7,954,602</b>
Short life equipment, at cost, less amortization.....	353,316	352,310
<b>TOTAL FIXED ASSETS.....</b>	<b>\$ 6,939,414</b>	<b>\$ 8,306,912</b>
<b>GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., at nominal value.....</b>	<b>\$ 1</b>	<b>\$ 1</b>
	<b>\$40,284,288</b>	<b>\$34,610,520</b>

UBSIDIARY COMPANIES

MBER 30, 1943 AND SEPTEMBER 30, 1942

LIABILITIES

	September 30	
	1943	1942
<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	\$ 3,769,715	\$ 3,165,595
Employees' investment certificates .....	111,280	125,040
Accrued payrolls, rentals and other expenses.....	852,667	690,480
Accrued taxes other than Federal taxes on income.....	915,669	924,236
Provision for Federal taxes on income.....	7,016,396	3,364,156
	<u>\$12,665,727</u>	<u>\$ 8,269,507</u>
RESERVE FOR POST-WAR CONTINGENCIES.....	\$ 500,000	\$ —
	<u>                    </u>	<u>                    </u>
 <b>CAPITAL STOCK AND SURPLUS:</b>		
Preferred stock, 4½% cumulative, par value \$100 per share; redeemable on call or in voluntary liquidation at \$104 per share; from 1,000 to 3,000 shares (depending on profits) must be acquired and retired annually at no more than call price, 1944 requirement 1,500 shares—		
Authorized and issued 100,000 shares.....	\$10,000,000	\$10,000,000
Common stock without par value—		
Authorized 1,955,522 shares; issued and outstanding 1,292,485 shares .....	11,484,112	11,484,112
Earned surplus (restricted by an amount equal to two years' dividends on 4½% preferred stock and, under the Illinois Business Corporation Act, to the extent of the cost of treasury stock).....		
	6,145,636	5,368,088
	<u>\$27,629,748</u>	<u>\$26,852,200</u>
Deduct—Preferred stock held in treasury (5,775 shares), at cost .....	511,187	511,187
	<u>\$27,118,561</u>	<u>\$26,341,013</u>
	 <u>                    </u>	 <u>                    </u>
	<u>\$40,284,288</u>	<u>\$34,610,520</u>

# WALGREEN CO. AND SUBSIDIARY COMPANIES

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the Years Ended September 30, 1943 and September 30, 1942

	Years Ended September 30	
	1943	1942
NET SALES, after deduction for sales and excise taxes, returns, etc. ....	\$ 112,204,121	\$ 95,288,861
COST OF SALES.....	69,582,980	59,846,244
Gross profit on sales.....	\$ 42,621,141	\$ 35,442,617
OTHER OPERATING INCOME.....	423,624	335,755
Total .....	\$ 43,044,765	\$ 35,778,372
OPERATING EXPENSES:		
Selling, advertising and occupancy.....	\$ 31,602,915	\$ 27,747,440
General and administrative.....	984,018	935,619
Total .....	\$ 32,586,933	\$ 28,683,059
Profit from operations.....	\$ 10,457,832	\$ 7,095,313
OTHER INCOME:		
Interest and dividends received.....	\$ 130,150	\$ 127,539
Miscellaneous (net) .....	218,571	202,988
Total .....	\$ 348,721	\$ 330,527
OTHER CHARGES:		
Improvements to leased properties.....	\$ 9,149	\$ 139,642
Losses and writedowns on real estate and real estate investments (net) .....	171,340	192,005
Lease cancellation payments and expenses (net).....	157,118	108,639
Capital stock, State income and franchise taxes.....	263,427	203,085
Provision for contribution to Charles R. Walgreen Memorial Pension Trust for employees.....	391,000	296,000
Total .....	\$ 992,034	\$ 939,371
Balance .....	\$ 9,814,519	\$ 6,486,469
PROVISION FOR FEDERAL TAXES ON INCOME:		
Normal tax and surtax.....	\$ 1,790,000	\$ 1,825,000
Excess-profits tax (less \$500,000 post-war credit for 1943) .....	4,255,000	1,300,000
Total .....	\$ 6,045,000	\$ 3,125,000
Net profit before provision for post-war contingencies .....	\$ 3,769,519	\$ 3,361,469
PROVISION FOR POST-WAR CONTINGENCIES.....	500,000	—
Net profit after provision for post-war contingencies .....	\$ 3,269,519	\$ 3,361,469
NOTE: Net profit above is after provision for—		
Depreciation of buildings and equipment.....	\$ 1,199,223	\$ 1,111,567
Amortization of short life equipment.....	429,269	422,820



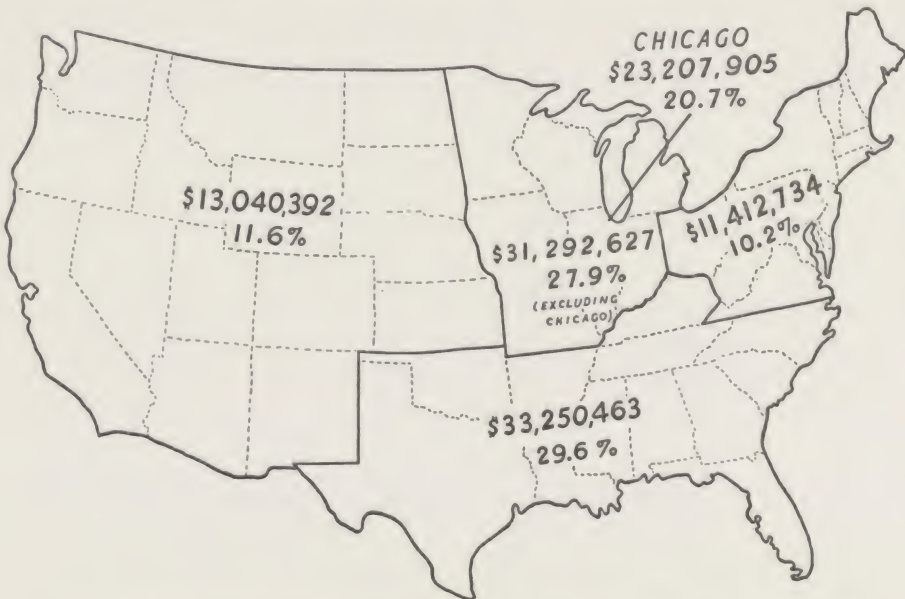
# WALGREEN CO. AND SUBSIDIARY COMPANIES

## CONSOLIDATED EARNED SURPLUS ACCOUNT

For the Years Ended September 30, 1943 and September 30, 1942

	Years Ended September 30	
	1943	1942
BALANCE BEGINNING OF YEAR.....	\$ 5,368,088	\$ 4,498,590
NET PROFIT AFTER PROVISION FOR POST-WAR CONTINGEN- CIES .....	3,269,519	3,361,469
	<u>\$ 8,637,607</u>	<u>\$ 7,860,059</u>
DIVIDENDS PAID:		
On 4½% preferred stock (\$4.50 per share).....	\$ 423,995	\$ 423,995
On common stock (\$1.60 per share).....	2,067,976	2,067,976
	<u>\$ 2,491,971</u>	<u>\$ 2,491,971</u>
BALANCE END OF YEAR.....	<u>\$ 6,145,636</u>	<u>\$ 5,368,088</u>

## DISTRIBUTION OF NET SALES



As a stockholder, you are interested in the progress of your company. Our stores are convenient. They sell a very wide variety of merchandise, including our own preparations, which are of unsurpassed quality. We solicit your increased patronage—on the very practical ground of your own interest, both as a stockholder and as a customer.

## OFFICERS AND DIRECTORS

CHARLES R. WALGREEN, JR.....*Director—President*  
SANFORD J. BOWYER.....*Director—Vice President*  
HARRY GOLDSTINE .....*Director—Vice President*  
WILLIAM G. JOHNSTON.....*Director—Retail Store Operations*  
ROBERT G. KNIGHT.....*Director—Vice President and Treasurer*  
ROLAND G. SCHMITT.....*Director—Vice President and Secretary*  
A. L. STARSHAK .....*Director—Vice President*  
RAY E. WALKER.....*Director—Agency Division*  
JAMES E. WARD.....*Director—Vice President*  
BERT O. PINCH.....*Assistant Secretary*  
O. G. GILE.....*Assistant Secretary*  
P. J. REDFORD.....*Assistant Secretary*  
W. J. COONEY.....*Assistant Treasurer*

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## TRANSFER AGENTS

In Chicago	FIRST NATIONAL BANK
In New York	GUARANTY TRUST CO.

## REGISTRARS

In Chicago	HARRIS TRUST & SAVINGS BANK
In New York	COMMERCIAL NATIONAL BANK & TRUST CO.

## AUDITORS

ARTHUR ANDERSEN & Co., CHICAGO



